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THE SAGAWA AFFAIR AND IMPLICATIONS FOR A POLITICAL SHAKE-UP

SUMMARY

Barely three years after the Recruit Co., Ltd. influence-peddling affair drew to a close Japan's ruling Liberal Democratic Party again is mired in a scandal concerning alleged illegal payments to prominent party members. The late August admission by LDP kingpin Shin Kanemaru that he had received millions of yen in unreported political contributions from Tokyo Sagawa Kyubin Co., Ltd. has potential systemwide impact as well as disruptive possibilities for the ruling party itself.

Analysts disagree as to whether the Sagawa affair will become the proverbial last straw that prompts an increasingly disaffected electorate to turn away from the LDP. Concerns for such a development could persuade the LDP to promote the broad reforms that many say are needed to transform Japan's money-centered political system. Success in this attempt is problematic. Mr. Kanemaru's resignation as LDP vice president in the wake of the Sagawa revelations could distract the ruling party by precipitating a shake-up from which a new party structure and group of leaders would emerge.

Changes in the LDP loom large, partly as a result of the Kanemaru affair but also because of a push for generational change. Upheaval within the LDP also appears imminent, if not because of personalities and scandals, then possibly because of the new business and political relationships that have developed as the economy has changed. LDP reorganization would have implications for the way the ruling party conducts its internal affairs as well as develops domestic and foreign economic and political initiatives.

Scandal Dethrones the Kingpin

The arrest in February this year of Hiroyasu Watanabe, then president of Tokyo Sagawa Kyubin Co., Ltd., and other top company officials for making fraudulent loans to firms allegedly

affiliated with the Inagawa-kai crime syndicate became front-page news in Japan. What made this event even more newsworthy than other cases involving business ties to the underworld were reports that extraordinary sums of money — initial estimates ranged from ¥540 billion ($4.3 billion at ¥125=$1.00) to ¥11 trillion ($88 billion) — had been kicked back from these loans and lavished on more than 100 politicians in the ruling Liberal Democratic Party as well as the opposition parties (see *JEI Report* No. 7B, February 21, 1992).

Coming only three years after the Recruit Co., Ltd. influence-peddling affair — a scandal that implicated several senior LDP officials and contributed to the ruling party's unprecedented loss of control of the Diet upper house in July 1989 elections, ruling party politicians earlier this year probably had a feeling of deja vu. When the late July upper house contests resulted this year in a solid win for the LDP, these concerns appeared allayed for the time being (see *JEI Report* No. 29B, July 31, 1992). Nevertheless, ruling party politicians remained on tenterhooks as the Tokyo Prosecutor's Office investigated to uncover recipients of the Sagawa money. The prosecutor's office evidently leaked to the media in early August that Mr. Watanabe had told them that he had distributed about ¥2.1 billion ($16.8 million) to 11 LDP Diet members, including former prime ministers, and one former opposition party head.

By late summer it had become apparent that the prosecutors were out to net the biggest fish of all, Shin Kanemaru, considered by many to be the most powerful politician in Japan today. After the July upper house elections media reports began surfacing that Mr. Kanemaru had received money from Mr. Watanabe as far back as 1989, just prior to the July upper house elections that year, when the Recruit affair still made newspaper headlines. At a late August news conference the LDP doyen clarified that he had accepted ¥500 million ($4 million) in unreported "campaign contributions" from Mr. Watanabe before the February 1990 lower house elections but not before the previous summer's elections. In a move that stunned the ruling party Mr. Kanemaru resigned his posts as LDP vice president and head of the largest LDP faction, named for former Prime Minister Noboru Takeshita.

Mr. Kanemaru insisted, however, that he originally refused to accept the money, described in news reports as delivered to one of Mr. Kanemaru's secretaries in a grocery cart full of 50,000 separate ¥10,000 ($80) bills. Investigators believe that the money from the former Tokyo Sagawa chief, in turn, was disbursed to about 60 Takeshita faction members engaged in tough campaigns for the lower house. In a well-timed apology one day before the government was to dominate headlines with its announcement of a long-awaited fiscal stimulus package the LDP kingpin expressed his deep regret for exceeding the limits of the Political Fund Control Law. That law limits an elected official from receiving more than ¥1.5 million ($12,000) in campaign contributions from a single source within one year's time (see *JEI Report* No. 34B, September 4, 1992).

Mr. Kanemaru subsequently agreed to a plea bargain with the Tokyo Prosecutor's Office in a move that some analysts contend was aimed at short-circuiting any information presented during Mr. Watanabe's trial that might contradict the LDP doyen's account of his relationship with the former delivery company executive. Mr. Watanabe's trial began in late September. In exchange for a signed statement in which Mr. Kanemaru admitted violating the Political Fund Control Law prosecutors issued a summary indictment — used only in the case of "light crimes" — and fined Mr. Kanemaru ¥200,000 ($1,600). A summary indictment does not require the accused to appear in court, thereby allowing Mr. Kanemaru to avoid answering questions about his alleged use of Mr. Watanabe as an intermediary in dealing with certain organized crime figures, a more serious accusation (see *JEI Report* No. 38B, October 9, 1992).

Prosecutors evidently could not charge Mr. Kanemaru under Japan's antibribery statute since this law applies only to politicians who have government posts with direct authority over the bribing

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parties when the money is given. Mr. Kanemaru was not in such a post in early 1990. Moreover, the senior LDP member's apparent distribution of the cash to other Takeshita faction members rather than pocketing the entire amount for himself makes it harder to mount an effective bribery case against him, some analysts say.

The LDP doyen is only the second Diet member ever to be charged under the Political Fund Control Law. The late Prime Minister Eisaku Sato was indicted in 1954 for violating this law when he was serving as LDP Secretary General. The case against Mr. Sato subsequently was dropped as part of the general amnesty proclaimed to celebrate Japan's admission to the United Nations.

The summary indictment against Mr. Kanemaru drew contempt from some members of the political opposition and citizens' groups. They viewed it as a mere wrist slap given the enormous sum of illegal contributions accepted by the LDP kingpin. The political opposition responded to the punishment by calling for Mr. Kanemaru's resignation from the Diet and his acceptance of moral responsibility for the affair. The LDP is expected to resist strongly such demands. Nevertheless, Mr. Kanemaru's apparent "dethronement" will have a destabilizing impact on the political scene in the following areas:

Diet Paralysis - Although Mr. Kanemaru's plea-bargain arrangement ensures that he will not appear in court, the opposition parties have demanded that the former LDP vice president as well as the other 11 alleged recipients of Sagawa money — if they are made known during the course of Mr. Watanabe's trial — be summoned to the Diet to testify. In particular, some members of the political opposition want to probe further into Mr. Kanemaru's alleged use of the former Tokyo Sagawa president in September 1987 as a go-between with Susumu Ishii, the late leader of the Inagawa-kai. The meeting reportedly was set up to secure the mob's help in silencing a right-wing group that was harassing Mr. Takeshita as he campaigned for LDP president.

Tying up Diet debates with Sagawa-related testimony would impede the LDP-led government's efforts to use the extraordinary Diet session, set to begin October 30, to enact the stimulative supplementary budget announced in late August (see *JEI Report* No. 34B, September 4, 1992) and pass political reform legislation. If the LDP and opposition parties lock horns over the Sagawa issue, the legislative clock could run out without Diet action on any matter. In this regard the opposition parties risk making themselves, rather than the LDP, look bad if their stance on the Sagawa affair impedes passage of a budget that contains a variety of economic measures supported by the public. In an apparent effort to avoid Diet paralysis unidentified sources in Prime Minister Kiichi Miyazawa's office reportedly have suggested that limited Diet discussion of alleged ties between politicians and the mob might be possible.

LDP Image Problem - The admission of wrongdoing by a politician of Mr. Kanemaru's stature and his subsequent indictment still may create problems for the LDP when voters go to the polls next year, probably in July, to select their representatives for the House of Representatives. The lower house, which has the final say on money bills and treaties and in appointing the prime minister, is considered more powerful than the House of Councillors. Thus, if the LDP wants to continue to govern the country without having to enter into a coalition with one or more opposition parties, it cannot incur significant losses in the lower house races.

Memories of the ruling party's unprecedented losses in the July 1989 upper house elections still are fresh in the minds of LDP politicians. Three issues angered voters in these elections: the Recruit affair, which involved questionable political contributions and, in some cases, outright bribery; implementation of a 3 percent consumption tax; and the scheduled opening of Japan's beef and orange markets. Not likely to forget that the public's sense of what is just and fair had been offended are several senior LDP officials, including former Prime Minister Takeshita and Mr. Miyazawa, who had been finance minister through 1988; both were forced to resign to accept responsibility for what was perceived at the grass roots as unethical conduct.

Not only has the Sagawa scandal broken barely three years after the Recruit affair, but Mr. Kanemaru's indictment comes only eight months after a former close associate of Mr. Miyazawa was arrested on bribery charges (see *JEI Report* No. 4B, January 31, 1992). The former LDP vice president's acceptance of Mr. Watanabe's fortune-distorting "campaign contribution" has reminded voters that money, as described by many political watchers, has become the lubricant of Japanese politics.

Political experts have mixed views as to whether the public will lash out at the ruling party in next year's lower house contests to protest the involvement with Tokyo Sagawa Kyubin of Mr. Kanemaru and, according to rumors, other high-ranking LDP members. Although electoral behavior since the 1989 upper house elections appears to indicate that the Japanese people have become increasingly disenchanted with the LDP, voters have refrained from seriously threatening the ruling party's leadership. One often-cited reason for the status quo is the failure of the opposition parties to offer a credible alternative government (see *JEI Report* No. 31A, August 14, 1992).

Some analysts contend that the Japanese public for the most part is aware that the Sagawa affair is not a specific incident of corruption so much as it is characteristic of a systemic problem that they, as voters, feel powerless to change. Robert M. Orr Jr. of Temple University Japan compares the Japanese public's reaction to both the Sagawa scandal and Mr. Kanemaru's indictment to the American public's impatience and boredom with early stages of the Watergate scandal. "Shikata ga nai [it can't be helped]" has been a typical interview-on-the-street reaction to Mr. Kanemaru's behavior, Mr. Orr says.[1] Despite the protests staged by citizens groups and opposition party members outside the courthouse after Mr. Kanemaru's indictment and the angry editorials that appeared in some newspapers, the disenchantment at this stage is insufficient, Mr. Orr and others say, for the ruling party to lose the helm over the Sagawa affair.

What differentiates the Sagawa scandal from the Recruit affair and other incidents of corruption in recent years, however, is the involvement of organized crime groups, known as *yakuza*. Underworld ties to political figures have become an open secret in Japan. Perhaps the best-known case is the bribery scandal in the early 1970s involving Lockheed Corp.'s attempt to win All Nippon Airways Co., Ltd.'s business. According to those familiar with such cases, *yakuza* members often are employed by politicians as fund-raisers, bodyguards and campaign workers (see *JEI Report* No. 18A, May 8, 1992).

To the Japanese public, however, elected officials' ties with mobsters are seamy and distasteful. If, during the course of Mr. Watanabe's trial, Mr. Kanemaru specifically is named as the politician who requested *yakuza* intervention in a right-wing group's efforts to disrupt Mr. Takeshita's campaign, or if evidence emerges as a result of an opposition party-driven Diet inquest that the 11 other politicians who are rumored to have received money from Mr. Watanabe also dealt with Mr. Ishii or other crime bosses, Japanese voters might be less willing to ignore this information. The LDP, as a result, could be hurt in next year's lower house contests or in by-elections that may occur in the coming year. Perhaps it is for this reason that Mr. Miyazawa has hinted that he would entertain during the upcoming special Diet session discussion of, or introduction of, legislative proposals that specifically address politicians' relations with underworld groups.

In further attempts at damage control LDP officials have indicated that they would push for early passage of stopgap electoral reforms during the extraordinary session. This legislation would narrow the discrepancy in vote values for less populous and populous areas to about 2 to 1 (see *JEI Report* No. 34B, September 4, 1992). Mr. Miyazawa also indicated that he would urge quick completion of more sweeping reforms of Japan's multiseat system that, among other changes, would replace the present scheme of multiseat districts with a single-seat system. Many analysts have attributed the recurrence of political scandal in Japan to the multiseat system, which demands that politicians raise vast sums of money in order to win a seat (see *JEI Report* No. 10A, March 10, 1989).

The prime minister's attempts to prove to the public that the ruling party is sincere in its stated desire to reform itself probably will encounter strong resistance from the opposition parties and possibly from within the LDP, since some politicians are bound to lose their seats with the dismantling of the current system. Add to this the political opposition's desire to exacerbate the ruling party's image problems by tying up the Diet with debate over the Sagawa affair, and the outlook for political reform is not good. In view of the Japanese public's apparent indifference to the business of Japanese politics, it is doubtful that, in and of itself, the LDP's failure to enact sweeping electoral reforms would hurt the ruling party. However, inaction on political reform, combined with more serious revelations with regard to the Sagawa affair, might be the catalyst for an anti-LDP revolt at the polls. Much depends on whether the opposition parties can force senior LDP members and, possibly, Mr. Watanabe to testify before the Diet and whether they can eke out damaging information from what surely would be a group of unwilling witnesses.

Leadership Vacuum - Perhaps most significant for the ruling party is that Mr. Kanemaru's resignation as LDP vice president and uncertain status as head of the Takeshita faction create a vacuum that could precipitate a splintering of the factions and jockeying among members for new leadership. Ironically, the senior LDP member evidently did not harbor ambitions of becoming prime minister — perhaps because he wielded far more influence from behind-the-scenes. Over the years he variously has been referred to as the ruling party's mentor, financeer, kingmaker and the "glue" that holds together the LDP's traditional, seniority-based factional system.

Mr. Kanemaru also came to be regarded as an elder statesman, of sorts. This was due, in part, to his coleadership with Makoto Tanabe, then vice chairman of the Social Democratic Party of Japan, of a diplomatic mission to North Korea in the fall of 1990. The trip not only led to the release of two Japanese seamen who had been held since 1983 but gave the first inkling of better relations on the horizon with Pyongyang (see *JEI Report* No. 38B, October 5, 1990). "Bridge-builder" is another word that has been used to describe Mr. Kanemaru's political skill. For many years he has enjoyed close relations with members of the politicial opposition, particularly Mr. Tanabe, who now is SDPJ chairman. These contacts have proved invaluable in maintaining a dialogue with the opposition parties on any number of different issues and, in certain cases, fashioning compromises in order to secure Diet enactment of LDP-proposed legislation.

Some commentators contend that were it not for the very high esteem with which Mr. Kanemaru has been held in political and government circles, the former LDP vice president's lawyer would not have been successful in cutting a deal with the Tokyo Prosecutor's Office allowing Mr. Kanemaru to get off with a relatively lenient sentence.[2] There also is a view that, in deference to the powerful Mr. Kanemaru, prosecutors deliberately waited until after the late July upper house elections to break the story of Mr. Watanabe's dealings with the ruling party kingpin.

Underscoring the prestige that Mr. Kanemaru enjoys were reports that Mr. Miyazawa sent Motoji Kondo, deputy chief cabinet secretary, to the LDP doyen's home immediately after he announced his resignation to urge the senior politician to stay in this post. It is common knowledge in Japanese political circles that Mr. Miyazawa owes his election last October to the LDP presidency and, thus, to the prime minister's post to Mr. Kanemaru. The prime minister needed the endorsement of the large Takeshita faction (see Table) to clinch the top leadership spot. For that matter, Mr. Takeshita in his run for the LDP presidency in 1987 also was a beneficiary of Mr. Kanemaru's behind-the-scenes influence. Similarly, Toshiki Kaifu, who was plucked from the smallest LDP faction in August 1989 to run as the ruling party's post-Recruit symbol of a "cleaner" LDP, was a beneficiary of Mr. Kanemaru's kingmaking skills (see *JEI Report* No. 31B, August 11, 1989). By the same token, the former LDP vice president had no compunctions about abandoning Mr. Kaifu when his protege proved — in Mr. Kanemaru's eyes — to be an ineffective leader. The former prime minister last October was forced to withdraw from the LDP leadership race in part because Mr. Kanemaru and, thus, the Takeshita faction would not back him (see *JEI Report* No. 38B, October 11, 1991).

Liberal Democratic Party Factions

(Diet upper and lower house membership)

Noboru Takeshita	108
Hiroshi Mitsuzuka	75
Kiichi Miyazawa	73
Michio Watanabe	65
Toshio Komoto	31
Independents	31
Total	383

Sources: *The Japan Times*, July 28, 1992 and Kyodo Wire Service, August 4, 1992.

Even after his election as LDP president and prime minister Mr. Miyazawa found that he still needed Mr. Kanemaru's help. Although Mr. Miyazawa, a faction head, entered office with his own power base and considerable diplomatic experience, his initial months in office were rocky. The prime minister was unable to shepherd through the Diet legislation that authorized Japanese military support for United Nations-sponsored peacekeeping activities. Moreover, the LDP's promised political reform legislation remained stalled, and the prime minister's January summit with President Bush disappointed many in Nagata-cho. By turning to Mr. Kanemaru to serve as LDP vice president and manage party affairs, the prime minister could devote his energies to government policy.

Mr. Kanemaru's resignation from the LDP leadership and his subsequent disgrace at pleading guilty to violating the campaign financing law has prompted speculation in the Japanese press that Mr. Miyazawa now may be more vulnerable to leadership challenges from other segments of the party. No other politician in the ruling party possesses Mr. Kanemaru's political savvy or his fund-raising and brokering skills; thus, none would have as much clout in managing party affairs. Without the "glue" provided by the senior LDP member, some analysts say, Mr. Miyazawa probaby will be undermined in his efforts to build the intra- and interparty coalitions that will be necessary if he wants to enact the legislation on his immediate agenda.

While concurring that Mr Miyazawa might have problems in shepherding legislation through the Diet, other Japanese political insiders are less pessimistic that the prime minister will be forced from office in the near term. Some predict that Mr. Miyazawa will remain in office at least through the end of the year, but most are of the view that he may well serve through next October to complete his full, two-year term.

The prime minister's longevity will depend on whether any one person can mount a credible challenge. At this stage no senior ruling party politician feels secure about making such an attempt due, in part, to the continuing cloud cast by the Sagawa trial. Three of the senior politicians generally considered to be possible successors to Mr. Miyazawa — Foreign Minister Michio Watanabe, former Foreign Minister Hiroshi Mitsuzuka and Mr. Takeshita — are rumored to be on the list of 11 alleged recipients of excessive Sagawa money. Other current cabinet officials who allegedly received money from the former Tokyo Sagawa chief include Posts and Telecommunications Minister Hideo Watanabe and Transport Minister Keiwa Okuda. All these politicians have flatly denied the allegations. Although the Ministry of Foreign Affairs' Mr. Watanabe in recent remarks to the press has insisted that he wants to succeed Mr. Miyazawa, insiders say that his health problems during the past year could deter him from campaigning for prime minister or otherwise trying to hasten Mr. Miyazawa's departure.

Although politics in Japan is reknowned for being unpredictable, Japanese political observers sense that Mr. Miyazawa's likely challengers will bide their time and allow the Sagawa affair to play

out more fully; their real hope, of course, is that the scandal will blow over. A challenge to Mr. Miyazawa's leadership before his term is up, analysts say, might happen after next year's lower house elections, particularly if the LDP does not fare well at the polls.

Younger Members Champ at the Bit

The possibility that the ruling party itself could be shaken up as a result of Mr. Kanemaru's weakened position is of key importance, commentators have stressed. The extent to which the former LDP vice president has ceded leadership of the Takeshita group remains unclear, but if, and when, Mr. Kanemaru completely steps aside, many observers expect power struggles to ensue that could cause the largest LDP faction to splinter. Mr. Orr of Temple University Japan predicts that the Takeshita faction will not to be the same as a result of Mr. Kanemaru's "dethronement." "If the Takeshita faction splits," Mr. Orr says, "we will see a new round of factional in-fighting not seen since the 1970s."[3] The breakup of the largest faction, in turn, probably would precipitate a realignment among all the factions, resulting in the expansion of some groups and the disappearance of smaller, weaker units.

Pressures for a realignment within the ruling party actually have been building in recent years due to a generational struggle between the LDP old guard, such as Messrs. Takeshita and Miyazawa, who owe their power to the party's seniority-based factional system, and younger members, who believe the party needs new leadership with fresh ideas and are impatient about waiting their turn. Some commentators contend that Mr. Kanemaru's exit from political center stage simply provides the catalyst for an internal upheaval that long has been in the making. Another possible stimulus for change, according to some analysts, would be if Bill Clinton is elected U.S. president, a situation that might be heralded by some in Japan as an opportunity to rejuvenate Japanese leadership. Seeing Mr. Miyazawa together with Mr. Clinton would emphasize a generation gap, and the Japanese people might feel that they also need a younger, possibly more dynamic, leader. That is a view voiced by Nathanial Thayer of the Johns Hopkins School of Advanced International Studies and others.[4]

Economic Forces Affecting Change

Kent Calder of Princeton University has suggested that developments in Japan's economy are more potent factors for change in the LDP and the political order than personalities or political scandals. Traditional business support for the LDP may be waning because the private sector no longer depends as much on the stability that was associated with the ruling party's uninterrupted leadership during the high-growth period of the 1960s and 1970s, the Princeton University scholar says. Moreover, with the increasing multinationalization of Japanese companies, traditional pork-barrel politics no longer serves as effectively the interests of the business mainstream. Mr. Calder contends that the conflicting pulls of business internationalism and Japan's welfare-oriented domestic system have created a fissure in the ruling party that cuts across faction lines and is bound to tear the LDP apart.[5]

This cleavage, he says, stems, in part, from differences between the Liberal Party and the Democratic Party, the two parties that joined as the Liberal Democratic Party in 1955. Today's so-called "democratic camp" of the LDP tends to approach policymaking in a parochial or "clientalist" manner, the Princeton scholar maintains. Politicians of this bent, who include Mr. Kanemaru and former Prime Minister Kakuei Tanaka among others, usually focus on traditional public works, prime opportunities for pork-barrel initiatives. Over the years this camp has established strong ties with the construction industry, for example, and has tended to resist policies aimed at deregulating the economy. The "liberal camp" of the ruling party supports a hands-off, consumer-oriented, open-market approach to economic management. Mr. Calder regards former Prime Ministers Yasuhiro Nakasone and Kaifu as embracing this philosophy. Since the stability afforded by a unified conservative party is less important to the business community now, Mr. Calder says, it only follows that the forces that have worked to constrain the LDP within its traditional organization and structure will be diminished.

Prospects for New Leadership

In any event, one can conclude reasonably that, whether driven by economic forces or by personalities and factional in-fighting, the LDP old guard is under pressure to change to accommodate the demands of a new crop of political and business leaders. The prime seedbed for leaders of existing or breakaway factions are:

The Takeshita Faction - Former LDP secretary general Ichiro Ozawa, former Finance Minister Ryutaro Hashimoto and current Finance Minister Tsutomu Hata are mentioned most often as representing Japan's next generation of leaders. They all have risen rapidly through the ranks of the Takeshita faction. Messrs. Ozawa and Hashimoto, in particular, are thought to have enough support to break away and form their own groups. Since factions generally function as conduits for campaign funds and power bases for prospective prime ministers, Messrs. Ozawa and Hashimoto presumably would have a shot at the premiership.

As leaders, however, they would have different policy orientations. Mr. Ozawa, coming from the "democratic camp," tends to approach policymaking in a more parochial or nationalistic manner. This could mean that a Prime Minister Ozawa might take a tougher stance with the United States and other countries on trade liberalization issues, for example. Mr. Ozawa also is an unabashed hawk on defense issues. He pushed hard for enactment of the U.N. peacekeeping support bill during the early stages of the Persian Gulf crisis. However, some say he tried to push the still strongly pacifist public too far, too fast on this issue, which might not make him widely popular with the electorate. In addition, he has yet to hold a major cabinet position, such as finance minister or foreign minister, which generally is considered a prerequisite for the post of prime minister. Aside from questions concerning his possible involvement with Sagawa and reported health problems, Mr. Ozawa, who apparently is anxious to lead his own faction, nevertheless may hold off in his drive for the premiership until he has acquired more government credentials.

Mr. Hashimoto, conversely, is from the "liberal camp" of the ruling party, which suggests that as prime minister he may be more open to considering how Japan might continue to liberalize still-regulated industries. As a former member of the Nakasone and Kaifu cabinets the ex-finance minister also possesses a professional portfolio befitting a prime minister. But while telegenic and popular with the public, Mr. Hashimoto was hurt by last summer's stock market payoff scam since this occurred on his watch as finance minister (see *JEI Report* No. 30B, August 19, 1991); he has assumed a lower profile since then. In the foreign policy area Mr. Hashimoto probably would support initiatives that demonstrate Japan's willingness to assume more global responsibility, while being careful not to stretch too far the long-held interpretation of Japan's "peace constitution."

Political observers note that while the current finance minister, Mr. Hata, may not possess the temperment for the backroom wheeling and dealing in which faction heads must engage, he nevertheless is considered an attractive candidate for prime minister. In addition to being liked and respected by members of other factions, Mr. Hata skillfully has straddled the "liberal" and "democratic" camps within the Takeshita faction and, thus, probably could unify the group behind his candidacy. Moreover, his strong advocacy of political reform and effective stewardship of Prime Minister Kaifu's Research Commission on the Election System would play well with the public — although this has made him unpopular with some LDP members. If the Takeshita faction remains unified, his chances for eventual leadership are likely to be high, LDP watchers say.

Other Factions' Candidates - Other Young Turks who aspire to lead the country include chief cabinet secretary Koichi Kato and Yohei Kono, both from the Miyazawa faction. Mr. Kato is considered by some to be the "crown prince" of Mr. Miyazawa's group, although he appears to have become the target of jealousy from other faction members because of his political savvy, professional competence and experience as a member of the cabinet. In addition to his current post he served as director general of the Japan Defense Agency during the Nakasone administration. Since assuming

the chief cabinet secretary's position, however, Mr. Kato has been criticized for his management of Diet affairs, particularly the LDP's inability to enact in a timely manner the U.N. peacekeeping support bill. In addition, his name on several occasions has been linked to a political scandal. Earlier this year reports surfaced that Mr. Kato received money from Kyowa Corp., a now bankrupt steel frame manufacturer that also was implicated in the alleged bribery of a former cabinet official and high-ranking member of the Miyazawa faction, Fumio Abe. Although he has an impressive cabinet portfolio and is respected for his foreign policy expertise, Mr. Kato may have too many political negatives to make a bid for the premiership in the near term. Moreover, he does not appear to enjoy a broad enough base of support to split off from Mr. Miyazawa and form his own faction. The chief cabinet secretary probably will continue to wait in the wings until circumstances are more favorable for him.

Mr. Kato's reported rival within the Miyazawa group, Mr. Kono, also is respected for his political savvy. In the mid-1970s Mr. Kono split from the ruling party and formed the New Liberal Club, a very small party that appeared devoted to, among other things, criticizing the money-centered nature of Japanese politics and the LDP's failure to effectively deal with repeated corruption. This group merged with the ruling party in 1986 due to internal disagreements. Mr. Kono evidently is closer to Prime Minister Miyazawa than Mr. Kato is, leading some observers to speculate that he might be tapped as chief cabinet secretary if Mr. Miyazawa reshuffles his cabinet in the near future. (The uncertainty concerning what other names may be revealed, if any, during the trial of Tokyo Sagawa's ex-president or in Diet discussions has complicated the prime minister's plans to reorganize his administration.)

Implications of Smaller Factions

Whether or not Mr. Kanemaru's involvement in the Sagawa scandal actually precipitates a factional upheaval in the LDP, the ruling party nevertheless appears to be ripe for a shake-up. If Messrs. Ozawa and Hashimoto decide to split from the Takeshita faction, their departures could reverberate throughout the ruling party. For example, the smallest faction, headed by Toshio Komoto, might disband, as members align themselves with the Ozawa or Hashimoto groups or the original Takeshita faction. Analysts also speculate that the Mitsuzuka faction may experience some defections if the Takeshita group splinters.

The end result conceivably could be smaller, more numerous, less bureaucratic and less pyramidal factions. Without one group's total domination of party affairs and the leadership selection process, younger, talented members may have more opportunities to secure the premiership. The followers of a breakaway faction chief also probably would enjoy closer personal ties with the new leader and be better able to make their views known on everything from their campaign financing needs to their views on a variety of policy issues. Longtime observers of Japanese politics contend that the ruling party, in general, is a more dynamic entity when factions are not as large as they are today because smaller groups function more efficiently.

Conversely, intraparty rivalries could focus attention on succession issues rather than on policymaking, although the bureaucracy would continue to keep the government running smoothly. Fund-raising also may be harder for smaller groups; that, in turn, might discourage would-be followers from leaving a large faction, particularly one that has wealthy coffers. One can surmise that internationally oriented businesses would support a new faction head from the "liberal" wing of the party, while the construction industry and other sectors resistant to deregulation would channel their contributions to Mr. Ozawa or other faction heads with a more parochial orientation. It is unclear, however, whether political contributions will fall off this year and in subsequent years as a result of harder economic times. A general shrinkage in campaign contributions from the business community might make it more difficult for breakaway faction chiefs to establish viable power bases.

At the same time, though, history has shown that the size of a faction has been important for determining the premiership. Analysts have observed over the years an apparent correlation between faction size and LDP leadership; they add that this linkage has deterred a splintering of the groups.[6]

Mr. Ozawa and other would-be faction heads/prime ministers no doubt are weighing these factors carefully and, in the final analysis, just may decide not to rock the boat for the time being. Even a do-nothing approach — a scenario that appears unlikely given the current political backdrop — would not be surprising in the turbulent, unpredictable world of Japanese politics.

Outlook: Same Game, New Players

Despite the excesses of Japanese politics that have been highlighted again by the Sagawa affair, political observers contend that the political game in Japan still will be played in the same way, with money remaining the prime lubricant of politics. Analysts are skeptical that Mr. Miyazawa will be able to realize enactment of political reforms that would diminish the importance of money in politics, primarily because many members of his own party have too much vested in the current arrangement. If any legislative initiative is pursued as a result of the Sagawa scandal, they add, it may focus on regulating more tightly business contributions to politicians and/or policing relations between elected officials and organized crime groups.

In terms of policy implications LDP members will be so preoccupied with internal jockeying and leadership struggles that in the near term they probably will rely even more on the bureaucracy for policy development, particularly in the foreign policy area. For the United States and Japan's other allies this would ensure continuity in the near future. If a new factional arrangement firms up, whoever then becomes prime minister may try to leave a more discernible imprint on domestic and foreign policy. At that point the politicians themselves may become more engaged in substantive debate.

It still is unclear what a reorganization of the ruling party would mean for the LDP's relations with the opposition parties. Among the new generation of potential leaders no one appears to possess the interparty contacts and bridge-building savvy for which Mr. Kanemaru has been lauded and relied on. If, after the 1995 upper house elections, the opposition parties still dominate this chamber, an LDP-led government without an operative like the former LDP vice president might have a harder time negotiating deals. In particular, this could affect securing enactment of legislation that would reconsider the meaning of Japan's self-defense mission or other bills that differ in spirit from the opposition parties' platforms.

While the Sagawa scandal might not by itself bring about changes in Japan's system of politics, circumstances are ripe for destabilization of the current system. The absence of a bridge-builder of the likes of Mr. Kanemaru plus the strength of second-string quarterbacks and the evolving interaction of the business and the political worlds could provide the appropriate setting for a realignment in the political system. The lack of a leadership option among the political opposition only underscores the prospect for impending change within the LDP.

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Notes

[1]Telephone interview with Robert M. Orr Jr., Temple University Japan, Tokyo, Japan, September 28, 1992.

[2]T.R. Reid, "Light Penalty In Japanese Payoff Case," *The Washington Post*, September 29, 1992, p. 1.

[3]Orr, *op. cit.*

[4]Telephone interview with Nathanial Thayer, Johns Hopkins School of Advanced International Studies, Washington, D.C., July 30, 1992.

[5]Telephone interview with Kent Calder, Princeton University, Princeton, New Jersey, September 21, 1992.

[6]Nathanial B. Thayer, lecture before the Japan-America Society of Washington, Washington, D.C., January 31, 1990.

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